

An organization whose sole activity is to provide life, sick, and accident benefits for members of a fraternal beneficiary society operating under the lodge system may qualify for exemption under section 501(c)(8) of the Code.

Advice has been requested whether the organization described below qualifies for exemption from Federal income tax under section 501(c)(8) of the Internal Revenue Code of 1954.

The organization is composed of members of a lodge of a fraternal beneficiary society operating under the lodge system. Its charter limits its membership to members of this lodge. Its sole purpose and activity is to provide for the payment of life, sick, and accident benefits exclusively for members of the lodge or their dependents. The organization's income is from membership dues and its disbursements are for the payment of benefits and miscellaneous administrative expenses.

Section 501(c)(8) of the Code provides for the exemption from Federal income tax of fraternal beneficiary societies that:

(A) operate under the lodge system or for the exclusive benefit of members of a fraternity itself operating under the lodge system; and (B) provide for the payment of life, sick, accident, or other benefits to the members of such society or their dependents.

Section 1.501(c)(8)-1 of the Income Tax Regulations provides that a fraternal beneficiary society is exempt from tax only if operated under the lodge system or for the exclusive benefit of the members so operating.

Although the organization does not operate under the lodge system, it operates exclusively for the benefit of the members of a fraternal beneficiary society itself operating under the lodge system, and it provides life, sick, and accident benefits to the members of such society or their dependents.

Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(8) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(8) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place or business or principal office of the organization. See section 1.501(a)-1 of the regulations.